



Unite response to Defence Committee Enquiry into Defence
Equipment

This response is submitted by Unite Amicus Section. Unite is the UK's largest trade union with 2 million members across the private and public sectors. The union's members work in a range of industries including manufacturing, financial services, print, media, construction, transport and local government, education, health and not for profit sectors.

Executive Summary

- Small and medium sized enterprises (SME's) are a key component for the success and productivity of the defence sector as a whole.
- Unite fully believes the original Defence Industrial Strategy (DIS) has been a resounding success and also believes there is a compelling argument for the swift introduction of DIS2.
- Technological innovation and research and development have changed the face of armed conflict. Technological advantage is the key to providing the UK armed forces with the advanced equipment they require.
- Long term partnering agreements such as DIS offer stability, longevity and pragmatism to relationships between government, industry, workers and trade unions.
- Unite believes Defence Equipment and Supply (DE&S) is not achieving the objectives for which it was created.

- Unite is concerned that there are still delays in DE&S awarding contracts, there is no clear indication that DE&S is achieving value for money for the UK tax payer or maximising economic benefits to the UK economy from the sale of defence equipment abroad.
- Unite also has concerns that DE&S appears unwilling or incapable of making strategic decisions around the funding of defence projects and finalising the procurement process on projects that are linked to the ten year forward budgets of the department's 2008 Planning Round.
- Unite believes there are three key components for the new DIS2 to work.
 1. The UK must retain and control the Intellectual Property Licences for all equipment purchased.
 2. The UK must have a role in the R&D phase of equipment that is purchased.
 3. All equipment procured must be manufactured in the UK by UK workers.
- UK government should not be buying key military equipment abroad as a 'stop gap' when there are projects such as FRES that have been on the drawing board since 2001 and are now ready for production.
- When the contractor to build Future Rapid Effect System (FRES) is finalised, BAE Systems facilities in the UK should be utilised to ensure UK sovereign capability is not lost forever.

1. Introduction

1.1 Over the past three decades the UK Aerospace industry has undergone a series of significant changes and strategic re-structuring. The two most important changes have been the rapid globalisation of manufacturing industry and the changes to production and capability in the face of the UK armed forces being involved in two major military conflicts.

1.2 The sector is the second largest in the world and is a significant driver of regional, national and global economic growth and productivity. The industry generates £38.6bn worth of revenue and exports of £4.34bn¹. The Aerospace sector employs a workforce of over 124,000 people and Unite represents around 100,000 workers within the Aerospace industry.

1.3 The sector has a number of large key companies but also has a diverse and strategically important supply chain of small and medium sized enterprises (SME's). These workplaces are incredibly important to the success and productivity of the Aerospace sector and Unite acknowledges the key role SME's play in ensuring that the UK Aerospace sector remains one of the largest in the world.

¹ SBAC – UK Aerospace Survey 2006.

1.4 Also included in the wider defence sector is the Shipbuilding & Repair sector. There are 16,000 people currently employed in the sector and Unite represents more than 7,000 members. The Shipbuilding & Repair sector is an industry of significant strategic importance to the UK, the research and development work carried out within the sector transposes across many other industrial sectors and provides an annual turnover of just under £2 billion per annum.

2. Defence Procurement

2.2 Unite supports the current partnering arrangements that the Defence Industrial Strategy (DIS) has implemented. There is a compelling argument to be made for the partnering process, inasmuch as it delivers what is needed operationally and, with its long term investment strategy enables a through-life capability that is advantageous to all stakeholders.

2.3 The capabilities that are needed now are vastly different to those envisaged 50 years ago when the cold war was the greatest threat to UK national safety and security. What this has created is a scenario where it is the technological advantage that is needed by the UK armed forces.

2.4 This level of technological change and expansion has created new ways of working and the creation of new industries and new technologies. Part of this creation has been developed by the small and medium sized enterprises (SME's) in the sector. This is where the technological innovation is to be found and where there are significant levels of intellectual property and the ability to provide solutions for the big companies that dominate the UK Aerospace sector.

2.5 Long term partnering agreements give stability and longevity to relationships between the MoD, industry, workers and trade unions. The agreement also provides a strategic focus for the sector and allows businesses; especially SME's, the opportunity to make strong supply chain linkages and make better informed business decisions in terms of investment and staff recruitment, retention and training.

2.6 Unite is clear that the best way forward for the UK defence sector is for a second Defence Industrial Strategy. The first strategy has proved to be a positive and worthwhile plan for the sector. It also meant that a sector which had previously suffered from severe boom/bust economic policy can enjoy the long term economic, industrial and social rewards of the strategy.

2.7 The partnering agreement also provides long term value for money for the tax payer. It gives industry an enduring vision for defence equipment requirements and solutions and also enables UK government the opportunity to plan and invest strategically and operationally in the procurement process.

3. Defence Equipment and Support (DE&S)

3.3 DE&S is responsible for creating a world class integrated procurement and support organisation for the UK Armed Forces. This department is part of a much wider change programme within the MoD and as such works to implement the recommendations of the Defence Industrial Strategy. However, does DE&S achieve what it was created for?

3.4 The remit was to address the fundamental organisational block to achieving a through life approach to acquisition and support. At present it would seem that DE&S is not achieving what they set out to do. The department has no measures in place to assess whether it is getting value for money, or, if in applying the principles of the Defence Industrial Strategy it is maximising economic benefit to the UK tax payer from defence expenditure.

3.5 Under these circumstances the DE&S is clearly not doing what it was set out to do and the consistent problems with delays in investing and awarding contracts is causing serious problems through the whole Defence sector. In these challenging economic times government procurement is a strategic way to ensure the UK economy does not fall further into recession, protects workers jobs and ensures that key skills are retained.

3.6 Unite understands and supports the UK government in its requirement to retain certain critical defence technologies and industries in the UK. This ensures that intellectual property and competitive advantage remains in the UK. However, Unite has concerns that DE&S appears unwilling or incapable of making strategic decisions around the funding of defence projects and finalising the procurement process on projects that are linked to the 10 year forward budgets of the departments 2008 Planning Round.

3.7 Experience supports the claim that delaying defence procurement projects for significant lengths of time leads to substantial increases in costs in the long term. The substantive process of DIS was to alleviate this protracted decision making process and ensure that the need and requirements of the UK armed forces were met by companies and workers that could deliver in a timely fashion the goods and services they needed.

4. Defence Industrial Strategy 2

4.1 The original Defence Industrial strategy was very much a success story for the UK defence industry, UK workers and for government in procuring goods and services for the Armed Forces.

4.2 Unite believes this tri-partite strategy can be replicated in the Defence Industrial Strategy 2. Only in this way can the long term capability of the defence sector be guaranteed. Unite is very clear, and experience bears this out that delaying projects leads to substantially increased costs in the long term. A clear and coherent procurement strategy is an imperative in ensuring that 'best value' for the tax payer is achieved, workers jobs are protected and unique skills and experience are not lost forever.

4.3 Unite supports the production of a new Defence Industrial Strategy because it binds all stakeholders to a long term vision for the sector, provides value for money for tax payers, offers industry the opportunities for innovation and research and development in new technology, design and production. The strategy also allows for the forward planning for investment purposes and allows UK industry to invest in the skills and training needed to facilitate new ways of working and new technological advances.

4.4 Unite believes there are three key components for a new UK Defence Industrial Strategy to work. Firstly, the UK must retain and control the Intellectual Property Licences for all the equipment that is purchased. This allows the UK the right to use, upgrade and overhaul and repair at the discretion of the MoD and is not controlled by other sovereign nation states.

4.5 Secondly, the strategy must insist that the UK has a role in the research and development phase of equipment that it purchases. This is to ensure that as an industry the UK defence sector has the knowledge capability to upgrade and repair the equipment.

4.6 Thirdly, that the equipment procured is manufactured in the UK, this is to ensure that jobs within the sector are not lost and the workers in the defence industry retain the skills, knowledge and experience that is vital to the enduring success of the sector.

5. FRES - Future Rapid Effect System

5.1 The concept for the new, medium weight armoured vehicle fleet known as FRES was initially drawn up in 2001. A decision on the preferred design was made in May 2008 and General Dynamics UK was provisionally the preferred bidder. Due to continual delays in the awarding of the contract the MoD was forced to provide a 'stop-gap' and procured the Mastiff as a short term replacement. This was bought from Italy and Unite believes that the delays that have occurred in the investment and production of FRES are wholly unacceptable.

5.2 The UK government should not be buying key military equipment abroad when there are projects such as FRES on the drawing board. What this requires in order to meet the projected FRES UV in service date of 2012 is a significant contract being placed with General Dynamics UK covering development, construction of a number of prototype vehicles and an initial production batch.

5.3 Unite believes the delays have gone on for too long and it is clearly the decision making processes, which the creation of the DE&S was supposed to alleviate, added to the lack of a firm commitment to investment which is the crux of the problem. Unite believes that once the contract is finalised, General Dynamics UK, who will be undertaking the vehicle integrator and builder role should be required to use BAE Systems facilities in the UK to ensure that UK sovereign capability is not lost forever.

Unite Recommendations

- Defence Industrial Strategy 2 (DIS2) must be implemented as soon as possible.
- Government must ensure that all stakeholders involved in DIS2 are wholly committed to the continuation of long-term partnering arrangements and agreements.
- Unite believes there needs to be a strategic review of the effectiveness of the DE&S and the setting of objectives to ensure the department is achieving its original objectives.
- The DE&S must ensure that procurement contracts are awarded in a timely manner and ensure that the prevailing culture of continual delays is stopped.
- Government must recognise that continual delays to the implementation of defence projects clearly leads to substantial increases in costs to the tax payer – this is not acceptable and is avoidable.
- In any review of the DE&S government must consider the impact on the UK defence industry, UK workers jobs and the wider economy.
- In the awarding of contracts and investment in the UK defence industry government must consider how vital the retention of key skills and experience is to the sector and through-life capability.
- The UK must be allowed to retain and control the Intellectual Property Licences for all defence equipment purchased.
- The UK defence sector must have a key role in the research and development phase of any equipment purchased.
- All equipment procured by the MoD must be manufactured in the UK, using UK workers.
- Government must ensure that the vital investment needed for projects like FRES is forthcoming and implemented in a timely and robust way.

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